



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

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## Indonesia

## Sugar

## Update

## 2008

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**Report Highlights:**

MY2008/09 Indonesian plantation white sugar production is estimated to reach 2.06 million tons, an increase of 2.5 percent from Post's previous estimate of 2.01 million tons mainly due to favorable weather that resulted in increase of sugarcane production and a well-timed milling period that increased the recovery rate. The increase in plantation white sugar production combined with an increase in refined sugar production led to a decrease in plantation white sugar prices. GOI is reacting to the decrease in price by limiting sugar imports.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Annual Report  
Jakarta [ID1]  
[ID]

## Situation and Outlook

## PSD: Sugar Cane for Centrifugal

Sugar Cane for Centrifugal Indonesia	2007			2008			2009		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: May 2006			Market Year Begin: May 2007			Market Year Begin: May 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	350	350	350	350	350	350		350	350
Area Harvested	330	330	330	330	330	330		330	340
Production	25200	25200	25200	25200	25300	25300		26000	26400
Total Supply	25200	25200	25200	25200	25300	25300		26000	26400
Utilization for Sugar	25200	25200	25200	25200	25300	25300		26000	26400
Utilizatr for Alcohol	0	0		0	0			0	
Total Utilization	25200	25200	25200	25200	25300	25300		26000	26400

Note: Not official USDA data.

## PSD: Centrifugal Sugar

Sugar, Centrifugal Indonesia	2007			2008			2009		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: May 2006			Market Year Begin: May 2007			Market Year Begin: May 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Beginning Stocks	1170	1170	1170	1390	1390	1190	1940	1940	1290
Beet Sugar Production	0	0		0	0		0	0	
Cane Sugar Production	1900	1900	1900	1950	1950	1950	2010	2010	2060
Total Sugar Production	1900	1900	1900	1950	1950	1950	2010	2010	2060
Raw Imports	1400	1400	1400	1850	1850	1400	2200	2200	1500
Refined Imp.(Raw Val)	1020	1020	1020	1050	1050	1050	1050	1050	700
Total Imports	2420	2420	2420	2900	2900	2450	3250	3250	1780
Total Supply	5490	5490	5490	6240	6240	5590	7200	7200	5130
Raw Exports	0	0	0	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	0	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0	0	0	0
Human Dom. Consumption	4100	4100	4300	4300	4300	4300	4800	4800	4500
Other Disappearance	0	0	0	0	0	0	0	0	0
Total Use	4100	4100	4300	4300	4300	4300	4800	4800	4500
Ending Stocks	1390	1390	1190	1940	1940	1290	2400	2400	630
Total Distribution	5490	5490	5490	6240	6240	5590	7200	7200	5130

Note: Not official USDA data.

## Production

Due to favorable weather, an increase in the percentage of planted area actually harvested, sugarcane replanting versus saving stalk, and improvement at some sugar mills, Indonesian sugarcane production in MY2008/09 is estimated to increase to 26.4 million tons from a total harvested area of 340,000 hectares. A well-timed milling season also led to an increase in the recovery rate, which is expected to reach approximately 7.8 percent compared to 7 percent in MY2007/08. This year the milling period started in May 2008 and continues. Therefore, MY 2008/09 plantation white sugar production is estimated to reach 2.06 million tons.

MY 2008/09 Indonesian refined sugar production from imported raw sugar is estimated to slightly increase to 1.5 million tons raw sugar equivalent compared to 1.4 million tons produced in MY2007/08 by the five existing sugar refineries. This refined sugar production will be used by the food and beverage industry as ingredient. However, due to local refined sugar higher prices compared to imported refined sugar, unreliable supply from the local refineries, and locally produced refined sugar quality concerns, the large scale food and beverage industry typically imports refined sugar from the international market with an annual amount of approximately 700,000 tons raw sugar equivalent. Annual demand of refined sugar by the food and beverage industry is 2.15 million tons raw sugar equivalent.

An increase in plantation white sugar production combined with an increase of refined sugar production, has depressed the price of plantation white sugar on the domestic market.

### **Price**

The price of locally produced plantation white sugar in retail market in August 2008 was Rp. 6,660 (US\$ 710/ton), a decrease of 1.2 percent compared to Rp. 6,740 (US\$ 719/ton) in January 2008. The auction price of plantation white sugar at farmer level in early September 2008 ranged from Rp. 4,910 (US\$ 523/ton) to Rp. 4,925 (US\$ 525/ton), lower than the government check price of Rp. 5,000/kg (US\$ 533/ton).

### **Policy**

The Indonesian government controls sugar use and imports. Imports of sugar are controlled by limiting the issuance of import permits to specific companies.

Imports of refined sugar with a maximum ICUMSA of 45 can only be used as ingredients by the food and beverage industry. Raw sugar imports must go to refineries and are also restricted for use as an ingredient in food and beverage formulations. The Indonesian government refers to sugar with an ICUMSA of 80-200 as plantation white sugar. Imports of plantation white sugar are small and restricted to one month prior to and two months after the milling season when the domestic supply is not enough to meet demand. Imports of plantation white sugar will be processed into table sugar.

### **Latest Policy Development**

During a September 08 interdepartmental meeting attended by sugar traders, processors, and traders, the Minister of Trade reduced the previously approved MY 2008/09 import allocation of refined sugar by the food and beverage industry by 214,000 tons raw sugar equivalent and import allocation of raw sugar by sugar refineries 300,000 tons. GOI also reduced the import period for the food and beverage industry to import refined sugar from a 6-month period to only a 2-month period.

Note:

Exchange rate is Rp. 9,380/US\$ 1 as of September 19, 2008.